

**FEBRUARY 24, 2021**

**Directive 2021-05**

**TO: ALL PARTICIPATING LENDERS**

**SUBJECT: ANNOUNCING THE LAUNCH OF SMARTBUY 3.0**

The Community Development Administration (CDA) is happy to announce a new, improved SmartBuy product, more attractive to our lenders and borrowers! In our continuing efforts to assist borrowers reach the goal of homeownership, we are launching SmartBuy 3.0 – Affordable Homeownership for Buyers with Student Debt. Effective immediately, this new product replaces the very successful SmartBuy 1.0 and 2.0 for new reservations (previous reservations will be honored). This initiative continues to enable qualified borrowers with student debt to purchase a program-eligible home in Maryland with MMP financing.

SmartBuy 3.0 is structured slightly differently from the previous versions.

**FIRST MORTGAGE:** The first mortgage (up to 95% LTV) remains the same with no changes.

**SECONDARY ASSISTANCE LOAN:** The previous second mortgage is replaced with a 5-year forgivable Promissory Note of up to 15% of the purchase price, not to exceed a maximum amount of \$30,000. The terms are the same as the previous second mortgage: 0% interest deferred, with no monthly payments, forgivable over 5 years at 20% rate per year on each anniversary date. There will be no Deed of Trust; the loan will not be secured by a lien on the property. The Note becomes payable in full upon sale of the property within the first 5 years. In the event of refinance, the borrower or refinancing lender should email us at [singlefamilyhousing.dhcd@maryland.gov](mailto:singlefamilyhousing.dhcd@maryland.gov) to arrange for transfer of the Note.

**SECOND MORTGAGE/THIRD LOAN (OPTIONAL):** The Down Payment Assistance Loan of \$5,000 is still available but is now a second mortgage. The terms remain the same: 0% interest deferred, with no monthly payments and due in full upon sale or refinance. This second mortgage is optional.

**Since systems differ, lenders should direct any inquiries regarding disclosure of the unsecured second loan to their MI representative or directly to FNMA.**

**Highlights of SmartBuy 3.0 (new elements in bold):**

- This is an FNMA HFA Preferred product only.
- Minimum middle credit score of 720.
- CDA will provide up to 15% of the home purchase price up to a maximum of \$30,000 to pay off the borrower's outstanding student debt. The whole student debt for at least one borrower must be entirely paid off at the time of the home purchase. No remaining student loan debt for the borrower can remain after the loan closing. If there are two borrowers on the loan, only one borrower's student loan balance must be paid off. If the full student debt for both borrowers can be paid off, that is permitted, but partial loan repayment will not be available under SmartBuy 3.0.
- The first mortgage is an amortizing mortgage for up to 95% of the sales price. The interest rate will be the same as the regular conventionally-insured mortgage interest rate offered by MMP.
- **A 5-year forgivable Promissory Note for payoff of student debt replaces the former second mortgage using the same terms as noted above. This is not a lien on the property.**
- The optional second **mortgage** (third loan) is a regular CDA Down Payment Assistance loan of \$5,000.00 with the terms noted above.
- **Approved Private Mortgage Insurance (PMI) partners for this program are: Arch MI, Genworth Financial, Radian Guaranty, National Mortgage Insurance Company, Mortgage Guaranty Insurance Corporation and Essent Guaranty. Please check with the PMI of choice before reserving a SmartBuy 3.0 loan for their particular overlays/requirements.**
- **Maximum LTV is 95% and CLTV is 105%.**
- **This program allows AUS and manual underwriting.**

**Reminder regarding Directive 2021-04:** We would like to remind our lenders of the need to have the existing SmartBuy 2.0 reservations purchased by US Bank no later than May 21, 2021. This requirement is driven by FNMA's SmartBuy 2.0 pooling deadline.

If you have any questions concerning this Directive or suggestions for improvements, please email [singlefamilyhousing.dhcd@maryland.gov](mailto:singlefamilyhousing.dhcd@maryland.gov). As always, we appreciate your continued participation in our programs.

Sincerely,

*Karl Metzgar*

Karl Metzgar  
Assistant Director / Operations Manager  
Single Family Housing

